

~~CONFIDENTIAL~~
~~SECRET~~

ED

COPY NO. 18
OCI NO. 3958/57
8 August 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 1
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS, S, C
NEXT REVIEW DATE: 1989 25X1
AUTH: HR 70-2
DATE 6 Aug 79 REVIEWER:

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

RETURN TO ARCHIVES & RECORDS CENTER
IMMEDIATELY AFTER USE
JOB 19192 Box 14

~~CONFIDENTIAL~~
~~SECRET~~

25X1
25X1

228512/2

State Department review completed

THIS MATERIAL CONTAINS INFORMATION AFFECT-
ING THE NATIONAL DEFENSE OF THE UNITED STATES
WITHIN THE MEANING OF THE ESPIONAGE LAWS,
TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMIS-
SION OR REVELATION OF WHICH IN ANY MANNER TO
AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared
primarily for the internal use of the Central Intelligence
Agency. It does not represent a complete coverage of all
current situations. Comments and conclusions represent
the immediate appraisal of the Office of Current Intelligence.

~~CONFIDENTIAL~~
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

T H E W E E K I N B R I E F

PART I
OF IMMEDIATE INTEREST

KHRUSHCHEV-TITO MEETING Page 1

The two-day meeting in Rumania between high-ranking Soviet and Yugoslav delegations led by Khrushchev and Tito was the culmination of several Soviet initiatives to improve relations with Yugoslavia and is an example of the vigor injected into Soviet policies, both at home and abroad, by Khrushchev's now-unfettered leadership. The way was paved for the meeting by Moscow's agreement to reinstate credits previously promised Belgrade. Both sides admitted that obstacles remain to be overcome.

[REDACTED]

MIDDLE EAST DEVELOPMENTS Page 3

[REDACTED]

THE OMANI REBELLION. Page 5

London hopes its decision to use British troops in Oman will ensure the prompt success of the Sultan of Muscat's ground campaign and restore his authority before Britain's position elsewhere in the Arabian peninsula is harmed.

[REDACTED]

~~CONFIDENTIAL~~
~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

25X1 [REDACTED]

support of the Omanis is increasing and may harden into a demand for UN action. In any case, indications of the existence of commercially valuable oil deposits in the southwest part of the sultanate increase the seriousness of long-standing border disputes between King Saud and the Sultan. [REDACTED]

25X1

PART II**NOTES AND COMMENTS****BULGANIN IN ECLIPSE Page 1**

Further indications last week of a decline in the political fortunes of Soviet Premier Bulganin suggest he may be replaced as chairman of the USSR Council of Ministers. Deputy Premier Mikoyan appears the most likely candidate to succeed him, although Defense Minister Georgy Zhukov might be chosen in the event that Mikoyan's Armenian nationality is considered a drawback. A demotion for Bulganin in the government would not necessarily result in his immediate dismissal from the party presidium. [REDACTED]

NEW VERSION OF COMINFORM INDICATED Page 2

25X1 The Soviet announcement of the Khrushchev-Tito meeting on 1 and 2 August which called for "concrete forms of cooperation" among Communist parties supports earlier indications that the USSR may be considering the establishment of a new grouping to replace the defunct Cominform. It appears that such an organization will be designed to be acceptable to Tito and therefore will be broad in membership and under rather loose centralized control. [REDACTED]

FRENCH FINANCIAL POSITION CONTINUES TO WEAKEN Page 3

25X1 The financial policies of the French government have not yet proved adequate to check the critical trade deficit, and new outlays of gold and dollars will be necessary this fall. A growing inflationary threat and the prospect of new wage demands, accompanied by rumors of an impending devaluation of the franc, leave little hope that Finance Minister Gaillard's tax and economy program will be adequate to stem the drain on government finances. [REDACTED]

SECRET

11

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

THE NEW TUNISIAN GOVERNMENT. Page 4

With the abolition of the Tunisian monarchy and establishment of a republic on 25 July, President Bourghiba has maintained his political position and effected a change long desired by most Tunisian political leaders. This action, while not affecting the country's pro-Western orientation, has complicated relations with the Saudi Arabian, Moroccan, and Libyan monarchies. The major problems facing the new government continue to be the Algerian rebellion and the development of the country's depressed economy.

[REDACTED]

TURKISH-EGYPTIAN RAPPROCHEMENT Page 5

Turkish-Egyptian relations, strained for at least two years by Egypt's ties with the USSR and Turkey's role in the creation of the Baghdad pact, have improved markedly since mid-May. New ambassadors have been appointed to fill long-vacant posts at Cairo and Ankara, a new and expanded trade agreement has been signed, and a desire to improve relations has been expressed by officials of both countries. Ankara may hope to improve relations with other Arab and Asian-African states following a rapprochement with Egypt.

[REDACTED]

THE SITUATION IN GUATEMALA Page 6

The present trend toward civilian government and strict adherence to constitutional procedures in Guatemala may alleviate, at least temporarily, some of the tension which has been mounting beneath the surface. Rumors of behind-the-scenes political maneuvering and plotting continue, but top political and military leaders have agreed to support Supreme Court President Ortiz for president in elections reportedly to be held in December.

[REDACTED]

~~SECRET~~

iii

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

8 August 1957

OPPOSITION ACTIVITY IN CUBA Page 7

25X1 Opposition plans to force the resignation in early August of Cuban President Fulgencio Batista were dealt a serious blow when a projected nationwide general strike, which presumably had been planned to spark popular support for the ouster, failed to materialize. Antigovernment leaders are probably aware that if they fail to act in the near future, Batista will take severe repressive measures, increasing the difficulty of any attempt to oust him. [REDACTED]

PROSPECTS FOR THE BUENOS AIRES ECONOMIC CONFERENCE Page 8

25X1 The economic conference of the American states which opens on 15 August in Buenos Aires can be expected to reflect the increasing interest of Latin American countries in collaborating to promote their primary goal of economic, particularly industrial, development. While the usual requests for US government financing of development will undoubtedly be made, more serious Latin American interests appears to center on proposals for some steps toward a common market. [REDACTED]

NEW NEPALESE PRIME MINISTER'S POLICY Page 9

25X1 The first policy statements made by Nepalese Prime Minister K. I. Singh since he assumed office on 26 July indicate no radical changes in either foreign or domestic policies. He implies that Nepal's relations with India may be strengthened and its ties with Communist China limited. Despite these indications of Singh's present thinking, his true political affiliations remain in question. [REDACTED]

INDONESIA Page 10

According to largely complete returns from the East Java elections, the Communists remain in the lead, although by a narrower margin than in the earlier Central Java elections. President Sukarno has evidenced no concern over these significant Communist gains, but has rebuked some Indonesian Communists for indiscriminate criticism of the United States. In the disaffected provinces, tension appears to have decreased temporarily, but their return to Djakarta's control still seems remote. [REDACTED]

25X1

SECRET

iv

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957****REACTION TO CHOU EN-LAI'S ATTACK ON JAPANESE PREMIER Page 10**

Chou En-lai's blunt criticism of the Kishi government's attitude toward China has evoked a sharp reaction in Japan. There is widespread resentment of the tone of Chou's remarks, and the Tokyo government is insisting that its cautious policy toward Peiping will not change. Pressure from the Socialists and from influential business interests, however, may force the Japanese government to make greater efforts to accelerate expansion of trade between the two countries.

25X1 [REDACTED]

PEIPING'S FIGHT AGAINST CRITICS GAINS NEW FORCE Page 11

To halt the spread of disaffection among intellectuals and within the bureaucracy, Peiping is intensifying its fight against "rightist" critics and is now implicating them in counterrevolutionary activity. These charges and increasing publicity given to the capture of conspiratorial bands in the countryside pave the way for possible capital punishment of those who voice further opposition. Such harsh repression, however, will probably be used only if milder correctives and intimidation are ineffective.

25X1 [REDACTED]

25X1

PART III**PATTERNS AND PERSPECTIVES**

25X6

**SECRET**

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

SOVIET BLOC ECONOMIC OFFENSIVE IN UNDERDEVELOPED AREAS . . Page 5

The Soviet bloc has expanded its military and economic aid and trade offensive steadily since its inception in 1954 and has shown considerable versatility in concentrating on markets singled out for special attention. Through credit and trade agreements, a groundwork has been laid for future expansion of trade, particularly in Asian and African countries. While only a few new credits have been extended this year, bloc countries have been actively implementing agreements already concluded. Domestic Soviet economic plans would probably be adjusted to meet any exceptional opportunities to extend Soviet influence in underdeveloped areas, but the aid program is not expected to surpass in the near future the scale of 1956, when over \$700,000,000 in credits were extended.

[REDACTED]

[REDACTED]

25X1

SECRET

vi

~~CONFIDENTIAL~~~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

PART I

OF IMMEDIATE INTEREST

KHRUSHCHEV-TITO MEETING

The two-day meeting in Rumania between high-ranking Soviet and Yugoslav delegations led by Khrushchev and Tito was the culmination of several Soviet initiatives to improve relations with Yugoslavia and is an example of the vigor injected into Soviet policies, both at home and abroad, by Khrushchev's now-unfettered leadership.

Having placed the blame for the deterioration of Soviet-Yugoslav relations on Molotov at the Soviet central committee plenum in June, Khrushchev indicated in Prague on 11 July that he intended to seek a rapprochement with Belgrade on state and party levels. Accordingly, he met with Yugoslav Vice Presidents Kardelj and Rankovic to discuss ideological differences in mid-July, removed the freeze on Soviet credits to Yugoslavia which was instituted following the Hungarian uprising, presumably admonished Albania and Bulgaria to seek better relations with Yugoslavia, and sent a "working-level" delegation to Yugoslavia. Finally, he met with Tito in Rumania.

The meeting appears to restore officially Soviet-Yugoslav relations to a status comparable to the "honeymoon" period which ostensibly existed at the time of Tito's visit to Moscow in June 1956. Moscow radio on 3 August stated that both sides confirmed the "actual significance" of the 1956 Moscow declaration, thereby implying that Moscow continues to approve the view that the "roads and conditions of socialist development are different in different countries."

There is no suggestion in the accounts of the recent meeting that either Tito or Khrushchev has basically altered his claim of the incorrectness of some aspects of the other's brand of Communism. Khrushchev probably concentrated on giving the appearance of unanimity to Soviet-Yugoslav relations by emphasizing points of agreement rather than disagreement and thus silencing the hostile polemics on ideological questions that have raged between the two parties during the past year. Tito, consistent with his policy of active coexistence, no doubt welcomed the opportunity to try again to work out a satisfactory relationship with the USSR.

Initial Party Contacts

A Soviet "working-level" delegation arrived in Belgrade on 1 August. Although described by Belgrade as "functionaries" of the Communist Party of Georgia, the delegation was led by a candidate member of the Soviet presidium, Vasily P. Mzhavanadze, long a close associate of Khrushchev. The delegation will tour Yugoslavia for two weeks accompanied by Yugoslav ideologist Jovan Veselinov, who participated with Kardelj in the conversations recently held in Moscow with Khrushchev. This is the first "working-level" Soviet party delegation since 1948 to come to Yugoslavia as guest of the Yugoslav League of Communists.

The USSR and Yugoslavia probably will increase contacts of this sort in order to maintain "permanent links" between

~~CONFIDENTIAL~~~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

the two parties. The announcement of the meeting in Rumania specifically mentioned the exchange of party delegations, information, and publications.

Economic Talks

The conclusion of economic protocols reinstating Soviet credits to Yugoslavia, announced on 29 July, was essential to a Tito-Khrushchev rapprochement. Belgrade had taken the stand publicly that Soviet "postponement" of the credits was intolerable and that willingness to resume them would be the "acid test" of Moscow's desire for a rapprochement. Moscow has now agreed to fixed dates for the extension of the controversial credits amounting to about \$250,000,000. Earmarked for the eventual construction of an aluminum factory is \$175,000,000, and the remainder is for two fertilizer plants and a power station.

Under last year's agreement, construction of the aluminum plant was to start in 1956 with production scheduled for 1961. The new agreement gives 1964 as the date for completion. The fertilizer plants are to be completed by 1960 and 1963. The new agreement thus appears to be a compromise by which implementation has been stretched out over a longer period of time. The fact that major deliveries of equipment are not to start until 1960 indicates that the USSR has backed down but little from its refusal to begin such deliveries until the end of the Sixth Five-Year Plan in 1960.

Yugoslav-Satellite Relations

The inclusion of Albanian party boss Hoxha and his Bul-

garian counterpart Zhivkov in the Moscow talks between Khrushchev and the Yugoslav vice presidents appears to be a major Soviet move to bring about an improvement in relations between Yugoslavia and those two satellites.

Even the resumption of cultural exchanges between Belgrade and Tirana would be heralded as a bettering of relations, since Albanian intransigence precluded any real accord between the two capitals even when Yugoslavia was closest to the USSR. It is likely, however, that deep-rooted mutual distrust and ideological differences will continue to prevent real governmental accord and all but formal ties between the Albanian and Yugoslav parties.

Cultural and other exchanges have periodically taken place at the governmental level between Bulgaria and Yugoslavia. Party ties, however, have failed to develop beyond the initial contact of last fall, and state relations have been constantly handicapped by the hard-line approach the Bulgarian press and regime have taken. Belgrade has shown concern over the recent personnel shifts in Bulgaria, saying they are not conducive to better relations. However, since contact has already been established with the present Bulgarian leadership, a lessening of its hostile attitude toward Yugoslavia might be sufficient to allay Yugoslav protestations that tension between Sofia and Belgrade prevents satisfactory developments in general between the Soviet bloc and Yugoslavia.

Conclusions

The meeting in Rumania reflects a mutual desire to

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

terminate publicly a dispute which was having unfavorable repercussions for both the disputants. Nothing indicates that the agreement has resolved any of the basic issues that have been argued between Moscow and Belgrade nor that any major concessions were necessary to bring it about, although the groundwork may have been laid for later agreements. Both sides admitted that obstacles remain to be overcome before further developments in any Soviet-Yugoslav rapprochement is possible. The agreement as announced appears to be merely the reactivation of agreements already reached between Tito and Khrushchev in Moscow in 1956.

Each side, while more cautious as a result of last winter's polemics, will presumably now have greater confidence that its views will ultimately prevail. Moscow is likely to justify its confidence with the belief that the lesson of Hungary has not been lost on the Yugoslavs, who, as a result, will considerably modify their attempts to proselytize the other satellites. Tito, encouraged by Soviet acknowledgment of his views implicit in the rapprochement, presumably is hopeful that Khrushchev will uphold the argument that socialism is best developed by pursuing independent roads.

25X1

25X1

MIDDLE EAST DEVELOPMENTS**Arab-Israeli Borders**

The American embassy in Tel Aviv believes Israel is again attempting to build a case establishing a casual relationship between boastful threats of Arab leaders and whatever subsequent border violence may occur. The acting chief of the United Nations Truce Supervisory Organization has refused to comply with

SECRET

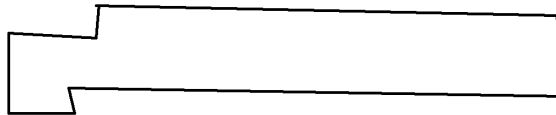
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

Israeli demands that he protest to Syria concerning "threatening statements" against Israel, allegedly a violation of the general armistice agreement. As a result, the Israelis contend that the supervisory organization is evading its responsibilities, and assert that Israel will be obliged to consider "other steps, possibly including a protest to the UN secretary general" if the organization persists in its attitude.

An alleged "negative approach" by the supervisory organization toward Israeli activity in the disputed neutral zone of Jerusalem has aroused criticism in Jordan. Jordanian officials contend that the organization, by refusing to act, is permitting Israel to assume jurisdiction and establish a new status quo, which would place the Israelis in control of ground dominating Jerusalem and the road into the southern bulge of West Jordan.

Syria, the supervisory organization obtained permission to inspect the Syrian defensive zone along the Israeli border for a four-day period beginning on 1 August. The UN observers were escorted by Syrian army personnel throughout their inspections. Although neither Syria nor Israel seems willing to admit it, the new arrangements for closer UN supervision of this section of the border have reduced considerably the number and seriousness of incidents.

25X1



efforts to resolve the problem have been stymied by Jordan's refusal to discuss this dispute with the Israelis. The Jordanians may fear that the Israelis would cite as armistice violations the existence of Jordanian trenches in the Jerusalem neutral zone's eastern sector, as well as the Jordanian military traffic utilizing the Jerusalem-Beersheba road, which cuts through the zone.

Meanwhile, after approximately two weeks of stalling by

are indications of progress toward the resumption of better relations with Britain and France, although press and radio attacks against these two continue. Britain has announced it intends to send two delegates to Cairo on 14 August for discussions on problems which have arisen from sequestration of British properties in Egypt. The Cairo press has also announced government authorization of the resumption of cotton exports to France and the receipt of an offer of

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

settlement from the secretary general of the old Suez Canal Company. The latter was quickly denied by the company.

Syrian-Soviet Talks in Moscow

According to the leftist Syrian press on 5 August, Khrushchev assured the Syrian delegation in Moscow that "Syria's security is guaranteed" and that the USSR "will not allow or tolerate any aggression against Syria." Such a statement, if true, was probably intended as a general assurance of Soviet support for Syria without committing the USSR to any specific course of action. It has been reported that the Syrians wished to obtain a

mutual assistance and nonaggression pact from the USSR. The reported guarantee would encourage Syrian leftists to believe they can continue their moves to take over the Syrian government completely with little fear of foreign military intervention.

Meanwhile, the communiqué issued on 6 August on completion of the Moscow talks contained only vague promises of future aid, and failed to commit the USSR to meet Syria's present serious need for cash. After the return of the Syrian delegation to Damascus via Prague on about 10 August, the details of the Syrian-Soviet talks will be announced.

25X1

25X1

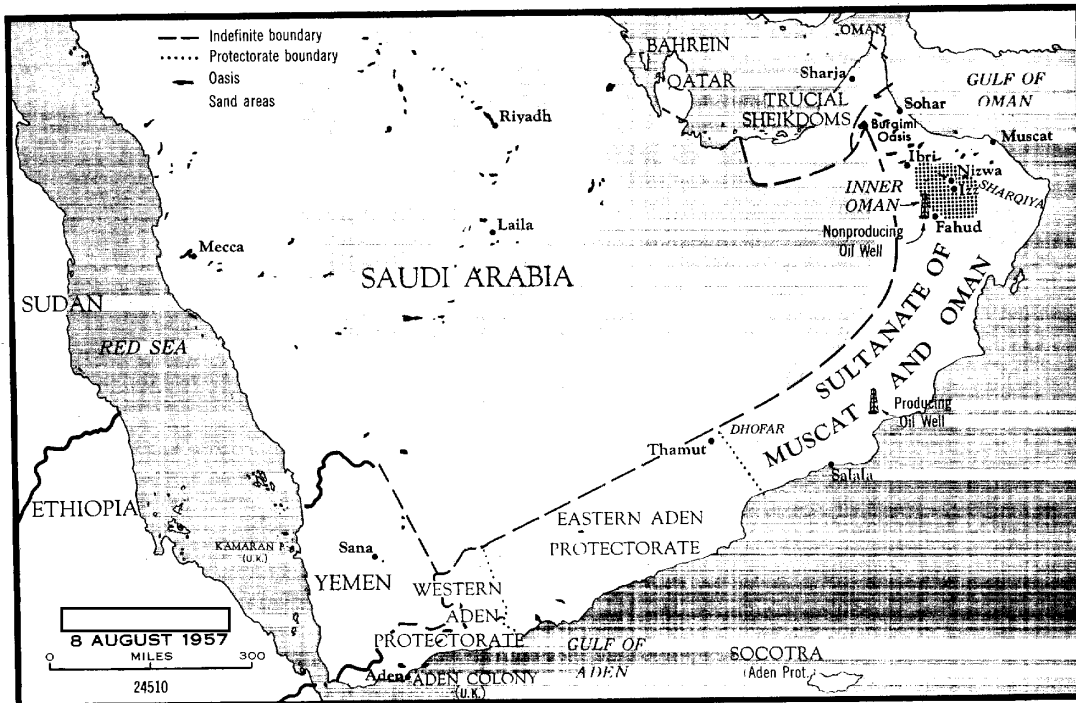
THE OMANI REBELLION

London hopes its decision to use British troops in Oman will ensure the prompt success of the Sultan of Muscat's ground campaign and restore his authority before Britain's position elsewhere in the Arabian peninsula is harmed.

Foreign Reactions

Although neighboring territories have so far remained

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

25X1
25X1

quiet, London fears the revolt may encourage antiregime activity in the Trucial States and along the border between the Eastern Aden Protectorate and Saudi Arabia.

General Arab support of the rebels appears to be increasing and threatens to widen the implications of the dispute. The British are concerned that if the revolt is not crushed soon, adverse Arab-Asian criticism may harden into a demand for UN action. An Arab League meeting in Cairo on 6 August to consider bringing the Oman situation before the UN Security Council ended inconclusively.

There has been no intimation so far of possible Soviet aid, but Soviet propaganda media

have given the Omani revolt three times as much coverage as that on the Yemeni-British dispute at its height last spring. Attacks on the "aggressive action" of the United States as well as Britain suggest that Moscow is attempting to use the dispute to encourage a Saudi-Egyptian reconciliation.

Oil Developments

What appears to be the first significant oil discovery in the Sultan of Muscat's territory has been publicly announced by the American Cities Service Oil Company. The well, producing a heavy oil at a rate of 2,000 barrels a day from the 3,200-foot level, was made in Dhofar Province, where the company has a 32,000-square-mile concession. The well is located over 300 miles from the rebellion in the north.

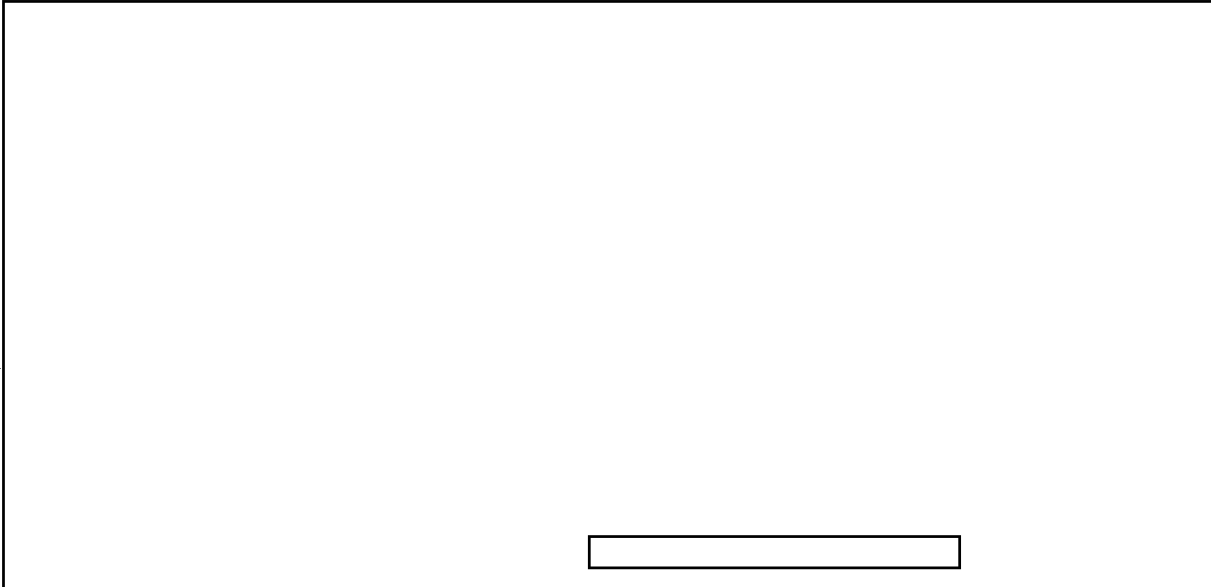
SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

25X1



* * *

SECRET

~~CONFIDENTIAL~~
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

PART II

NOTES AND COMMENTS

BULGANIN IN ECLIPSE

Further indications last week of a decline in the political fortunes of Soviet Premier Bulganin suggest he may soon be replaced as chairman of the USSR Council of Ministers. Deputy Premier Mikoyan appears the most likely candidate to succeed him. Mikoyan has had more experience as a top-level government administrator than any other party presidium member and apparently has Khrushchev's full confidence.

Moreover, Mikoyan replaced Bulganin on the "B and K team" during the recent visit of the "party and government" delegation to Rumania for talks with Tito and on the delegation now visiting East Germany.

If, however, Mikoyan's Armenian nationality disqualifies him for the post, then Defense Minister Georgy Zhukov--recently rumored to become Bulganin's successor as a reward for supporting Khrushchev in June--might be chosen. Another possibility would be Nikolai Shvernik--former titular head of state and now chairman of the Party Control Commission, the party's disciplinary board.

The decision to leave Bulganin off the delegation to East Germany was apparently taken only shortly before the announcement on 4 August of the composition of the Soviet group. Pravda had announced on 23 July that Bulganin would accompany Khrushchev, and a 2 August TASS dispatch from Berlin listing both leaders as expected visitors was reproduced in some Soviet papers on 3 August.

Bulganin's removal from the delegation does not appear caused by illness. He attended a reception given on 1 August by the Swiss ambassador, and on 5 August he had a talk with members of the Japanese Council for Banning Nuclear Weapons, attended a reception given by the Syrian government delegation in Moscow, and attended the Soviet government reception in honor of the Sixth World Youth Festival.

Most reports on the June ousting of Malenkov, Molotov, and Mikoyan state that Bulganin was at one point in opposition to Khrushchev.

Since that time Bulganin, though appearing regularly at diplomatic and state functions, has seemed to be under a cloud. On 10 July Pravda printed an extraordinary picture in which most of his face was obscured by Khrushchev's outflung arm.

If Bulganin is demoted, his formal dismissal or "resignation," like that of Malenkov in 1955, will probably take place at a Supreme Soviet session. Such a session may be convened later this month or early in September to hear a review of the international situation and a report by Khrushchev on the results of his recent talks with Tito and the trip to East Germany.

~~SECRET~~~~CONFIDENTIAL~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

A meeting of the party central committee would be necessary to remove Bulganin from the party presidium. He may remain on that body for

some time, as did Malenkov, Molotov, and Kaganovich after earlier demotions in the government. [REDACTED]

25X1

NEW VERSION OF COMINFORM INDICATED

The Soviet announcement of the Khrushchev-Tito meeting on 1 and 2 August which called for "concrete forms of cooperation" among Communist parties supports earlier indications that the USSR may be considering the establishment of a new decentralized grouping to replace the defunct Cominform. It now appears, however, that such an organization will be designed to be acceptable to Tito and therefore will be broad in membership and under rather loose centralized control.

The presence of a number of satellite leaders and high officials of the French and Italian Communist Parties in Moscow in the last few weeks has also suggested that talks may be taking place preparatory to setting up some new method for coordinating the Communist movement.

25X1

Moscow has shown an intermittent interest in devising new techniques to unify the Communist world ever since the Cominform was dissolved in April 1956. [REDACTED]

25X1
25X1

Khrushchev was unsuccessful in an attempt to gain Yugoslav acquiescence to membership in some new organization. The upheavals in Poland and Hungary a few weeks later increased the need for discipline in the Communist camp in Moscow's eyes, but made it more difficult as Poland grew independent and relations with Belgrade cooled.

On 29 December the Polish and Yugoslav parties agreed in

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

a communiqué that bilateral relations were the "best form" of international Communist ties. Rumors prevalent at that time held that Moscow was proposing an international Communist organization with an anti-Yugoslav tinge but that the Polish, Italian, and Chinese parties had rejected the idea. In any case, the Soviet Union has since concentrated on bilateral contacts. Several Communist parties, notably the British, East German, and Czechoslovak, have continued to call for a new organization and a Communist journal, presumably with the encouragement of Moscow.

Khrushchev has often expressed publicly his belief in the need for greater unity in international Communist ranks, but he wants to avoid the impression of a return to the methods of the Comintern and Cominform. He has been unwilling to take any action that would not be accepted by all other members of the Soviet bloc, and now having got rid of Molotov, appears ready to make any new organization conform to Yugoslav wishes as well.

Tito, a veteran Comintern agent and one of the moving spirits in the creation of the Cominform, with which he had a brief, unhappy experience, is likely to be wary of Khrushchev's proposals. Therefore, any new

plan will have a broad membership without strong centralized control. Moscow will still depend on bilateral talks for direct influence over the Communist parties. The new organization might involve permanent headquarters in Moscow or Prague, and perhaps the mutual exchange of liaison officials among the major Communist parties. Large multilateral meetings of some or most of the Communist leaders within and outside the bloc could also be held on an irregular basis.

More frequently rumored is the publication of a new international Communist journal, although a new publication, designed to improve on the unparalleled drabness of the former Cominform journal, would be a likely accompaniment to a new organization. The establishment of a workable editorial policy under present circumstances will be a difficult, delicate task.

Khrushchev presumably could win support for international meetings or a journal only by guarantees to leaders like Gomułka and Tito that these would be forums for discussion rather than for Soviet directives; this might be accomplished in part by inviting non-Communists from some of the neutral nations to attend the meetings or contribute to the journal.

25X1

25X1

FRENCH FINANCIAL POSITION CONTINUES TO WEAKEN

The financial policies of the French government have not yet proved adequate to check the critical trade deficit, and new outlays of gold and dollars will be necessary this fall. A growing inflationary threat and the prospect of new wage

demands leave little hope that Finance Minister Gaillard's tax and economy program will be adequate to stem the drain on government finances.

France's deficit with the European Payments Union (EPU)

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

reached a new high for 1957 in July, when it climbed to \$132,500,000, and its future EPU obligations must now be met entirely in gold. The Exchange Stabilization Fund is reportedly exhausted, and the government has already withdrawn one third (\$285,000,000) of its gold reserves in the Bank of France. A top Finance Ministry official expects little improvement during August

steps to tighten economic controls necessary to receive the maximum benefit from such a move.

25X1

25X1

Paris has already exhausted the \$262,000,000 it borrowed from the International Monetary Fund in October 1956 and is reportedly negotiating an additional loan for a like amount. New budget economies aimed at reducing the deficit by \$2.5 billion are admittedly partially aimed at getting France's house in order to improve the chances of obtaining either German or American aid.

Devaluation is again the subject of rumors, particularly since the government has taken

Meanwhile, the government has finally admitted its inability to hold the wage-price line by juggling the price index. The resulting increase in the minimum wage benefits relatively few workers immediately, but it will encourage union demands in negotiations of new labor contracts in private industry. Although the strikes which had plagued a wide range of enterprises from banks to penal institutions have temporarily abated, stronger and more widespread labor demands are certain this fall.

25X1

THE NEW TUNISIAN GOVERNMENT

With the abolition of the Tunisian monarchy and establishment of a republic on 25 July, President Bourghiba has maintained his political position and effected a change long desired by most Tunisian political leaders. This action, while not affecting the country's pro-Western orientation, has complicated relations with the Saudi Arabian, Moroccan, and Libyan monarchies and may prove a stumbling block to a projected North African federation.

Bourghiba immediately revamped his government along the lines of the American executive branch. Former vice premier Bahi Ladgham, as secretary of state for coordination and defense, retains his functions as general administrator and has acquired responsibility for defense, heretofore retained by Bourghiba. Elevation of the Defense Department from its former status as an appendage of Bourghiba's office is expected to accelerate Tunisia's defense activity, which may

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

take the form of an attempt to enlarge the small army and a formal approach to the United States to supply materiel for internal security.

Although Bourghiba and other Tunisian spokesmen declare that the change in the government's structure does not reorient foreign policy, the appointment of Sadok Mokadem, former ambassador to Cairo, as secretary of state for foreign affairs may somewhat improve Tunisia's relations with Cairo.

Another significant addition to the government is Ahmed ben Salah, secretary of state for public health, who was ousted last December at Bourghiba's behest from the post of secretary general of the dominant and powerful Tunisian labor union, the UGTT. Ben Salah is regarded as one of the few potential rivals of Bourghiba.

At present, Bourghiba and the Constituent Assembly are preoccupied with the promulgation of the long-pending Tunisian constitution. Bourghiba claims that the governmental structure will be patterned after the Turkish and American systems. It seems likely that he will favor a unicameral

legislature, as in Turkey, but will want a stronger executive so he can continue to dictate policy. Bourghiba told the American ambassador he is anxious to retain the right to participate in parliamentary debate, "since with one speech I am able to put arguing factions on the same track." Nevertheless, while seeking to protect his own position, he is also attempting to evolve a system which will not depend on a single individual.

The major problems facing the new republic remain the Algerian rebellion and the development of Tunisia's depressed economy. Bourghiba can be expected to continue not only to support Algerian independence but also to attempt to persuade the Algerian nationalists to accept a compromise settlement with Paris. Outspoken support for Algerian independence will continue to irritate Paris, thereby prolonging present difficulties in securing French assistance for economic development.

Bourghiba has admitted that the evacuation of French troops now under way from "difficult" border areas may tax the facilities of Tunisian security forces. He also indicated he is prepared to ask the United Nations for a police force if border violations by both the rebels and Algeria-based French troops pose a serious problem.

25X1

TURKISH-EGYPTIAN RAPPROCHEMENT

Turkish-Egyptian relations, strained for at least two years by Egypt's ties with the USSR and Turkey's role in the creation of the Baghdad pact, have improved markedly since mid-May. New ambassadors have been ap-

pointed to fill long-vacant posts at Cairo and Ankara, a new and expanded trade agreement has been signed, and a desire to improve relations has been expressed by officials of both countries. The Egyptian

~~SECRET~~

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

government took the initiative toward bettering relations, and it has found officials in Ankara eager and willing to move toward a rapprochement.

In late May, Egypt sought agreement for an ambassador to Turkey; the embassy had been directed by a chargé for the past two years. At the same time, an Egyptian official suggested that the circumstances were favorable for increased commerce and an evolution of political relations between the two nations.

At the Karachi meeting of the Baghdad pact council in early June, Prime Minister Menderes was outspoken in support of a proposal that the member states continue to isolate Nasr. However, both the prime minister and the acting foreign minister of Turkey were conspicuous in their presence at the Egyptian national holiday reception in Ankara on 18 June, and a few days later Turkey nominated a new ambassador to Egypt to fill a post unoccupied for over 12 months.

At the invitation of the Egyptian government, the Turkish minister of commerce led a high-level delegation to the Cairo trade fair in July. He later described his reception

in Cairo in glowing terms and commented favorably on the "atmosphere of great sincerity" during his two-hour meeting with President Nasr. While in Egypt, the Turkish delegation negotiated an enlarged trade agreement under conditions described by one delegate as the easiest and most pleasant in years.

Turkish officials have emphasized their belief that better Egyptian-Turkish relations are based mainly on historic ties. Menderes appears impressed by Nasr's assertion that Egyptian bitterness at Turkey's participation in the Baghdad pact is "water under the bridge" and has indicated his willingness to go to Egypt to confer with Nasr if invited to do so.

A neutralization of the former Turkish opposition to the Egyptian political effort in the Arab world and some alleviation of economic difficulties would be a distinct gain for the Nasr regime.

Ankara may hope that a rapprochement with Egypt will precede better relations with Arab and Asian-African states friendly to Egypt, and might lead to increased support or neutrality for Turkey on international problems such as the Cyprus issue.

25X1

THE SITUATION IN GUATEMALA

The present trend toward civilian government and strict adherence to constitutional procedures in Guatemala may alleviate, at least temporarily, some of the tension which has been mounting beneath the surface. Rumors of behind-the-scenes political maneuvering and plotting continue, however.

Defense Minister Col. Juan Francisco Oliva has been most affected by the sudden turn toward civilian government. Oliva was believed arranging his own election as president, despite constitutional prohibi-

tions against the candidacy of cabinet minister and high military officers. Following a report that his backers had agreed to support a civilian candidate in order to maintain constitutionality and to prevent a potential split in the armed forces between supporters of various military presidential aspirants, Oliva agreed to the candidacy of Supreme Court President Miguel Ortiz Passarelli. Ortiz, who is considered pro-US, served a short term as interim president during Castillo Armas' absence in Panama in July 1956. The

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

25X1

American ambassador to Guatemala has stated that he has a high opinion of Ortiz' legal ability, integrity and competence.

Oliva is also reported to have agreed to lift the state of siege by the end of August and to hold elections at the end of December.

Ambassador to the United States Col. Jose Luis Cruz Salazar might be expected to renew his unsuccessful attempt, made immediately following the assassination of Castillo Armas, to secure backing for his presidential aspirations. In addition, two other ambassadors, Col. Enrique Peralta Azurdia in El Salvador and Miguel Ydigoras Fuentes in Colombia, are reported attempting to obtain backing as presidential nominees. [REDACTED]

25X1

OPPOSITION ACTIVITY IN CUBA

Opposition plans to force the resignation in early August of Cuban President Fulgencio Batista were dealt a serious blow when a projected nationwide general strike, which presumably had been planned to spark popular support for the ouster, failed to materialize. There is still reason to believe, however, that the opposition will go forward with its attempt to unseat the president. Antigovernment leaders are probably aware that if they fail to act in the near future, Batista will take severe repressive measures, increasing the difficulty of any attempt to oust him.

The strike, which paralyzed economic activity in Santiago de Cuba beginning on 1 August and spread to other cities in rebel-dominated

Oriente Province, lost momentum when workers in Havana and other cities outside Oriente returned to their jobs after the government threatened reprisals.

Although this initial failure of the antigovernment offensive considerably weakens the opposition movement, it does not necessarily preclude its ability to threaten the Batista regime. The government appears to be in firm control at the present time. Increasing terrorism, widespread resentment against the suspension of constitutional guarantees, and continued reports of conspiracies within the armed forces and of agreements between the political opposition and rebel elements, however, support predictions that further unrest will occur in the near future. Assassination of the President remains a constant threat. [REDACTED]

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

PROSPECTS FOR THE BUENOS AIRES ECONOMIC CONFERENCE

The economic conference of the American states which opens on 15 August in Buenos Aires can be expected to reflect the increasing interest of Latin American countries in collaborating to promote their primary goal of economic, particularly industrial, development. While the usual requests for US government financing of development will undoubtedly be made, more serious Latin American interest appears to center on proposals for some steps toward a common market.

Two proposals for regional integration indicate this interest. The five Central American countries have negotiated, but not yet ratified, a multilateral trade treaty as the initial step toward a customs union, and have planned for the regional development of industries and transportation services. Press reports have indicated possible Mexican interest in joining this group.

The South American countries also are increasingly interested in some kind of regional economic arrangement. At a meeting of the United Nations Economic Commission for Latin America in La Paz last May, Raul Prebisch, leading Latin American economist, argued that Latin America could most feasibly promote rapid industrialization through a restricted common market, limited to industrial products, for which customs would be eliminated. Prebisch would include Argentina, Brazil, and Chile, probably Uruguay and Paraguay, and possibly Bolivia.

Prebisch's theory aroused enthusiasm not only among the countries he selected but even in Peru, which has been satisfied with its rate of growth resulting primarily from its policy of encouraging private investment. Peru has publicly called for the establishment of a common market and, at Buenos Aires, plans as a first step to sponsor an agreement for Latin American countries to generalize any tariff concessions to include all Latin America.

While discussions of regional economic integration seem likely to arouse greatest interest at Buenos Aires, the usual proposals for an Inter-American Economic Development Bank and for purchasing power parity between Latin America's raw materials exports and its manufactured imports are expected. Latin Americans apparently do not hope for US concurrence in these proposals, however, and several governments have said that efforts for a proposed general economic agreement should be concentrated on topics of possible concurrence rather than on well-worn subjects of controversy.

Although some delegations may be unusually troublesome--Haiti's chief delegate is reportedly a Communist and Paraguay is expected to press with unusual vigor for specific material benefits--there are indications that the majority of the Latin American nations may give less emphasis than usual to financial concessions from the United States.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

NEW NEPALESE PRIME MINISTER'S POLICY

The first policy statements made by Nepalese Prime Minister K. I. Singh since he assumed office on 26 July indicate no radical changes in either foreign or domestic policies. His remarks to the press imply that Nepal's relations with India may be strengthened and its ties with Communist China limited. Internally, Singh apparently intends to uphold the powers of the King while following a program of moderate political and economic reforms, including elections "as soon as possible." Despite these indications of Singh's present thinking, his true political affiliations remain in question.

In his first official statement, on 28 July, the new prime minister stressed Nepal's close historic relations with India as "natural facts"; he appealed to all Nepalese to work toward stabilizing these religious and cultural ties. Singh has stated on several occasions since his return in 1955 from three years' political exile in Communist China that resident diplomatic missions in Nepal should be limited to the present Indian and British embassies. At a press conference on 3 August, Singh indicated there would be no expansion of foreign representation in Nepal for the time being, apparently a reference to the projected establishment of a Chinese Communist diplomatic mission and trade agencies in Nepal as agreed in the September 1956 Sino-Nepalese treaty.

The prime minister apparently dissociated his government from the 1956 treaty signed by his predecessor, reportedly saying, "My government has no knowledge of the reported ratification by Nepal of a China-Nepal treaty." While he did not elaborate on what action

he would take in the matter, this statement, combined with his previous disapproval of expanding relations with Peiping, suggests that Singh may disavow the agreement.

On the question of foreign aid, the prime minister admitted the need for external cooperation in the economic field, and reiterated his predecessor's statement that Nepal would accept aid from any country which offers it "without strings." Singh has previously indicated, however, that he would prefer Indian assistance over any other. Singh told a representative from the American embassy in New Delhi on 25 July that he would be interested in discussing the present American aid agreement after he had studied it.

The prime minister apparently has adopted a middle position on the controversial question of whether the planned national elections, the first in Nepal, should be held for a parliament or for a constituent assembly.

Singh told the press on 3 August that his government supported elections for a parliament, but for one which would have power to draft and amend the new constitution except in certain matters concerning the crown and the royal family. Singh thus apparently intends to uphold the primacy of the King while at the same time conceding to much of the demand made by Nepal's major political parties for a sovereign constituent assembly. He did not mention a date for the elections,

5X1

SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

INDONESIA

According to largely incomplete returns from the 29 July East Java elections, the Communist Party remains in the lead, although by a narrower margin than in the earlier Central Java elections. In the elections for regency (subprovincial) and municipal councils in both Central and East Java, the Communists have won a number of clear majorities and will control these councils. In Central Java, however, the non-Communist parties are expected to cooperate sufficiently to retain control of the provincial council, although the Communists won about 37 percent of the seats.

Tension appears to have decreased temporarily in the disaffected provinces, but their return to Djakarta's control still seems remote. A government peace-making mission to North Celebes appears to have expressed more sympathy for the area than support for Djakarta. The mission included two cabinet ministers, an ambassador, and a senior Foreign Ministry official, all of whom were from North Celebes and were expected to perform as good mediators between that area and Djakarta.

A joint statement issued on 5 August by the mission and the area's self-styled commander, Lt. Col. Sumual, merely said an understanding has been reached

on the settlement of primary issues. It is unlikely that any real progress was made, and Sumual's position may actually have been strengthened.

25X1

An economic adviser and coordinator for the disaffected provinces has emerged in the person of Sumitro Djojohadikusumo, a former finance minister and one of Indonesia's few well-trained economists. Presumably with his advice, the commanders of Central and South Sumatra recently concluded an economic and financial agreement to cope with rising prices of essential items.

President Sukarno apparently is still planning a visit to Sumatra in late August unless tensions should arise there again. Meanwhile, he continues to evidence no concern over the Communist electoral gains in Java and in fact is continuing to formulate personal projects which have the effect of strengthening the Communists. He has, however, told Indonesian Communist leaders and sympathizers to adopt a "pro-Indonesian" foreign policy and to stop indiscriminate criticism of the United States.

25X1

25X1

REACTION TO CHOU EN-LAI'S ATTACK ON JAPANESE PREMIER

Chinese Communist Premier Chou En-lai's charges that the Kishi government is following an "unfriendly attitude" toward Peiping has evoked a sharp reaction in Japan, ranging from vigorous government defense of its policy to advice from the press

that unless certain obstacles in Sino-Japanese relations are removed, the China market may be lost to Japanese traders.

Chou asserted that the Japanese prime minister had been forced by the United States

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

to adopt a firm stand against Communism, Kishi denied the charge, pointing out that he long has been known as an anti-Communist. He restated his government's desire for friendly relations and its intention to promote economic and cultural exchange with Communist China, but stated that it would be "improper" for Japan to open diplomatic relations with Peiping, all the more so because Japan is firmly committed to the principles of the United Nations, in which Communist China is not yet represented.

Foreign Minister Fujiyama said in a press conference that there is no need for Japan to be swayed by each change in the Communist attitude and that he intended to adopt a "wait-and-see" policy. A Japanese Foreign Ministry source told American embassy officers that Peiping's tactics of refusing to extend visas for Japanese traders on the mainland may have been in retaliation for Kishi's reaffirmation that would-be permanent trade representatives in Japan would have to be fingerprinted. The source opined that in view of Japan's relaxation of the China trade embargo, Peiping apparently has had to find new targets in Japanese policy in order to cover up its own economic shortcomings and inability to expand trade.

Japanese press comment has revealed widespread indignation at the tone of Chou's remarks. It has given sympathetic understanding to Kishi's "go-slow" economic policy toward Peiping and endorsed his opposition to diplomatic recognition. Nevertheless, the press has expressed concern lest existing problems, such as the fingerprint issue and the dispute over the method of settling accounts, reduce trade prospects, and it has urged the government to find solutions.

Despite the seemingly adamant stand by Kishi's government, intensive Socialist exploitation of the Sino-Japanese trade impasse and pressure from influential business interests with a stake in expanded trade may force the government to modify its position. It is possible that when Liberal Democratic Diet member Masanosuke Ikeda visits Peiping in late August to discuss a fourth private trade agreement, he may also act semiofficially in attempting to resolve some of the problems which are restricting trade between the countries.

Meanwhile, Chou's anti-Kishi line has become the subject of a major press campaign in Communist China. The Chinese warn that Kishi's policies will make Japan the "orphan of Asia," and isolate Tokyo from the major Asian powers which are friendly toward Peiping.

25X1

PEIPING'S FIGHT AGAINST CRITICS GAINS NEW FORCE

Peiping's present struggle against the growth of discontent in Communist China, which was formally inaugurated last June as an "antirightist" campaign, gained new force this week when the government moved

to link low-level "counterrevolutionary" activity in the countryside with critics of the regime, among them collaborating members of the intelligentsia who hold posts in both the party and the government.

SECRET

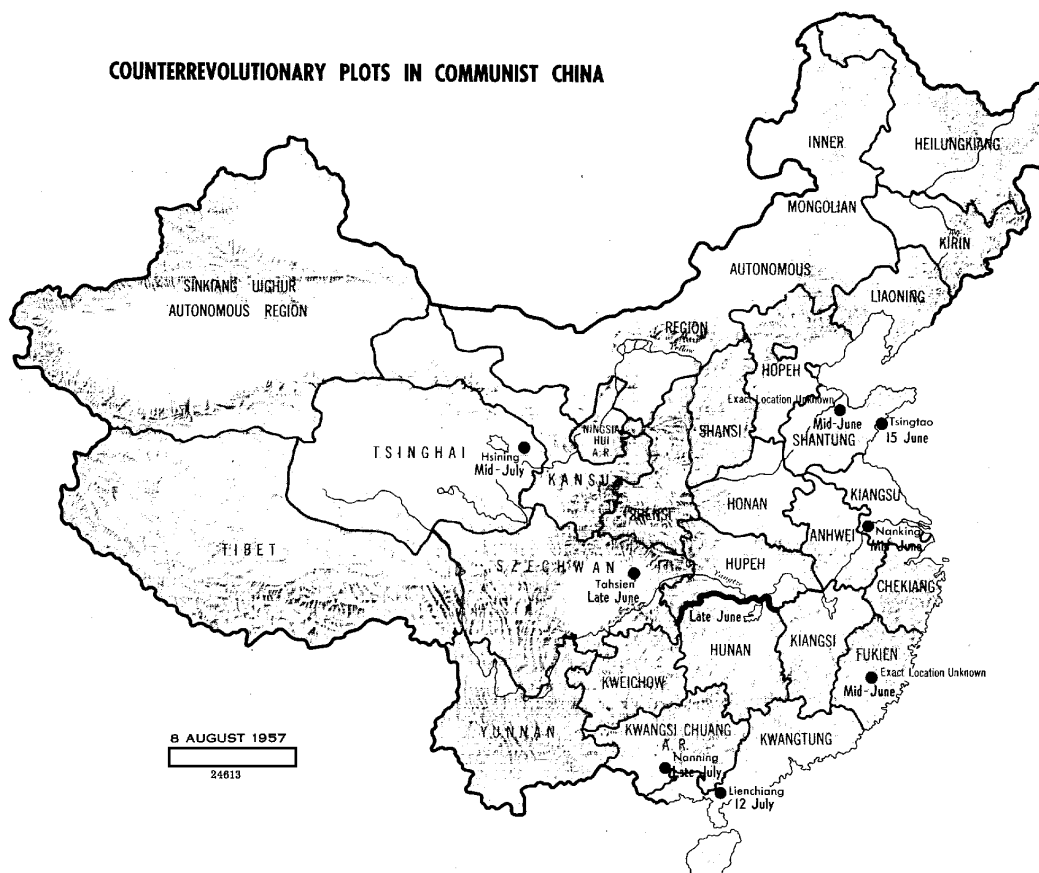
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****8 August 1957**

Since June the Chinese Communist press has reported the capture of nine conspiratorial groups in widely separated areas of China. The most recent account released by Peiping quotes the leaders of a band reportedly seized in the Hupeh-Hunan border area as declaring that Minister of Communications Chang Po-chun and Chu An-ping, former chief editor of the Kwangming Daily, "belong to their group." Chang and Chu, prominent non-Communist personages, were pilloried last spring for criticizing the regime and were forced to make abject public confession of their errors.

Tainting these men by association with counterrevolution--the most serious crime in the Communist lexicon--opens

the way for possible capital charges against them and against others who have voiced opposition. The implications of this move will not be lost on dissidents in Peiping's bureaucracy. It is also the first indication that the Communist leadership is now contemplating harsher measures should intimidation and milder correctives fail. Peiping's present course in dealing with critics of Chinese Communist policies probably reflects growing concern with the loyalty of personnel at the middle and lower levels.

The campaign for rectification, compared early this year by Communist spokesmen to a "mild breeze and gentle rain," changed its character abruptly when repeated official invitations

COUNTERREVOLUTIONARY PLOTS IN COMMUNIST CHINA**SECRET**

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

to "criticize" the government and party opened a Pandora's box this spring. The unexpectedly violent verbal attacks on the regime which followed forced Peiping to launch a counterattack. Initially directed at a handful of puppet party leaders, the campaign has been broadened to include the academic community, businessmen, the military, artists, literary groups, and most recently the Communist Party itself.

The Chinese Communist leadership is probably confident that discontented elements can

be brought into line without Draconian measures. An editorial in the authoritative People's Daily on 28 July repeated the established position that offenders can be salvaged by "persuasion and criticism." The regime is, however, acting to strengthen the machinery of repression. A State Council directive issued on 3 August orders that new "reform institutions"--a euphemism for forced labor camps--be established to "educate" lawless elements through work. The decree specifies that candidates for these institutions will include counterrevolutionaries as well as other "antiso-

cialist" elements.

25X1

* * *

~~SECRET~~

Next 3 Page(s) In Document Exempt

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

25X6

25X1

* * *

SOVIET BLOC ECONOMIC OFFENSIVE IN UNDERDEVELOPED AREAS

The Soviet bloc has expanded its military and economic aid and trade offensive steadily since its inception in 1954 and has shown considerable versatility in concentrating on markets singled out for special attention. Through credit and trade agreements, a groundwork has been laid for future expansion of trade, particularly in Asian and African countries. While only a few new credits have been extended

is not expected to surpass in the near future the scale of 1956 when over \$700,000,000 in credits were extended.

Total credits extended by the Soviet bloc to underdeveloped countries since 1954 total over \$1.5 billion, of which about \$420,000,000 has already been utilized. This includes practically all of the \$350,000,000 in arms credits, but only about 10 percent of the economic credits offered to date.

SOVIET BLOC CREDITS TO FREE-WORLD UNDERDEVELOPED COUNTRIES JANUARY 1954 - 30 JUNE 1957				
	EXTENDED		EXPENDED	
	SOVIET BLOC	USSR	SOVIET BLOC	USSR
MIDDLE EAST - AFRICA	470	137	323	25
SOUTH AND SOUTHEAST ASIA	549	518	40	36
EUROPE	469	304	55	54
LATIN AMERICA	19	4	0	0
1 AUGUST 1957				70617

this year, bloc countries have been actively implementing agreements already concluded. Domestic Soviet economic plans would probably be adjusted to meet any exceptional opportunities to extend Soviet influence in underdeveloped areas, but the economic aid program

The willingness of the USSR and its satellites to accept goods from underdeveloped countries in payment for exports has enormous appeal in countries which have difficulty selling their exports in world markets at favorable prices. At the present time, the apparent ease with which bloc countries seem able to absorb increasing quantities of goods from these countries is a key factor in the increasing dependence of some underdeveloped countries on the bloc for trading partners.

In 1956, more than 20 percent of the total trade of

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

8 August 1957

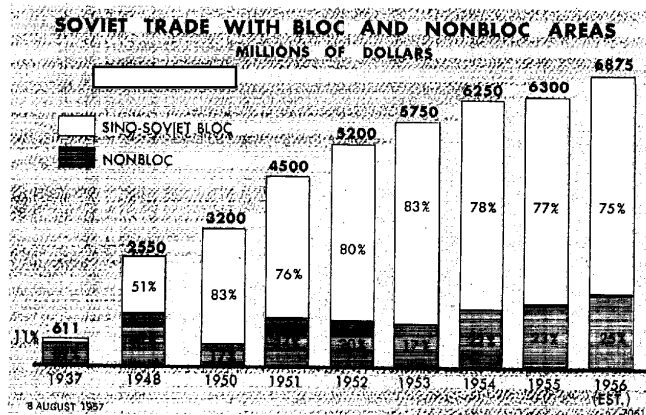
Afghanistan, Yugoslavia, Egypt, and Iceland and about 15 percent of the trade of Iran, Burma, and Turkey was with the bloc. About 30 percent of the exports of Egypt and Iceland and about 20 percent of those of Yugoslavia and Turkey went to bloc countries. Only Iceland and Yugoslavia got more than 20 percent of their total imports from the bloc. Bloc trade with Latin American countries declined about one third in 1956 from the 1955 total of \$340,000,000, in large part because of the efforts of such countries as Argentina, Brazil, and Uruguay to reduce unfavorable balances which developed in 1954-55.

Soviet Role

Having risen from twenty-second to sixth place among trading nations of the world in the past 20 years, the Soviet Union attained in 1956 a postwar peak in total foreign trade of \$6.9 billion. Although in 1956 trade with the satellites still accounted for as much as 75 percent of total Soviet trade, utilization of credits extended to underdeveloped countries resulted in an increase in trade with the free world. A sharp increase in exports to the underdeveloped areas last year accounted for a large part of the 20-percent increase over 1955 in total bloc trade with underdeveloped areas.

In view of the key role which underdeveloped countries play in Soviet foreign policy objectives, domestic economic plans would probably be adjusted to meet any exceptional opportunities to increase Soviet influence, or to exploit or promote dissension within free world alliances.

Thus the USSR continues to seek opportunities for increased economic relations in those underdeveloped countries that have not yet accepted substantial credits, particularly members of free-world defensive alliances such as Turkey and Iceland. Moscow is now committed to deliveries under its credit agreements amounting to about \$200,000,000 in 1957. This amount is less than 0.1 percent of the Soviet gross



25X1

national product. Moreover, the Soviet credit program is borne by several sectors of the economy, diminishing still further the impact of the credit program on the Soviet economy. Even if defense or capital expenditures were reduced by the \$200,000,000 in aid expected to be provided in 1957, neither would have to be cut by as much as 2 percent.

With the fulfillment of commitments under credits extended in the past, the USSR will be able to extend new credits without additional strain on its own economic program. Thus, while new possibilities for exploitation may arise in the underdeveloped countries, it is unlikely that in the foreseeable future the economic aid program will surpass the scale of 1956, when more than

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

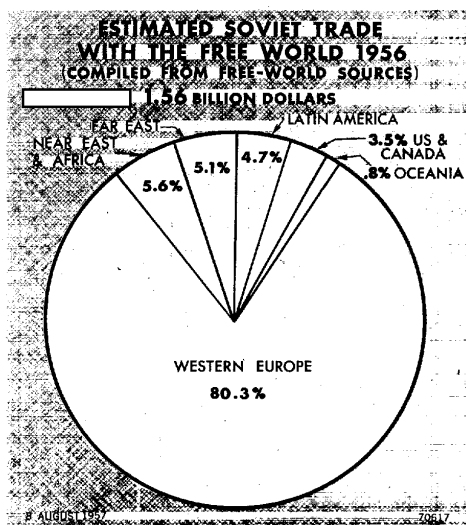
8 August 1957

\$700,000,000 in credit was extended by the USSR to underdeveloped countries.

Satellite Role

In 1956 the satellites extended military credits to Egypt, Syria, Yemen, and Afghanistan amounting to a total of \$170,000,000. About \$200,000,000 in economic credits were granted underdeveloped areas by the satellites in that year. The amount of new satellite credits, both economic and military, declined substantially during the first seven months of 1957, largely because of internal economic problems.

In most free world areas, satellite economic needs have apparently coincided with Soviet political objectives.



Satellite countries are efficient producers in several fields where marketing is usually handled through medium-term commercial credits. They may be expected to offer an increasing volume of such products on credit as a means of stimulating export sales to underdeveloped areas. With the exception of Czechoslovakia, however, domestic economic dif-

ficulties will impede the delivery of large quantities of goods on credit from the satellites. Because of its established commercial ties and its relatively advanced economy, Czechoslovakia more than any other satellite has the ability to further the foreign policy objectives of the USSR by the extension of arms and economic credits.

Technical Assistance

With the carrying out of many bloc contracts with underdeveloped countries during the first six months of 1957, the number of bloc technicians in these areas increased to more than 2,000. Operating in 19 underdeveloped countries for one month or longer, about two thirds of these specialists were industrial, agricultural, or other professional personnel. The remaining one third were military technicians and advisers.

The USSR has the largest concentration of its personnel in Afghanistan and India, whereas those from the European satellites, particularly East Germany, Czechoslovakia, and Poland, have been concentrated in Egypt and Syria. While there have been some difficulties, the governments of the underdeveloped countries generally seem to be satisfied with the performance of bloc technicians. In most cases, they have refrained from attempts to associate with or to indoctrinate local Communists.

Bloc technical training programs for underdeveloped countries are carried on both through the United Nations and through training incidental to the operation of projects constructed and equipped by the bloc. The major training programs involve technological institutes in India and Burma and nuclear energy laboratories in Egypt and Yugoslavia.


SECRET

~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY



8 August 1957

At least 600 military advisers and technicians are in countries which are receiving Soviet bloc arms, and most of these are in Egypt and Syria. Approximately 420 Egyptians and 65 Syrians have been sent to various bloc countries for

military training. 

25X1

25X1


 (Prepared by ORR)

25X1

* * *

~~SECRET~~

